STATEMENT OF
THE HONORABLE JAMES L. OBERSTAR
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
HEARING ON "RISING DIESEL FUEL COSTS IN THE TRUCKING INDUSTRY"
MAY 6, 2008

I am pleased that the Subcommittee on Highways and Transit is holding this important hearing today to shed light on the reasons behind ever-escalating prices for gasoline and diesel fuel, and the tremendous impact this continues to have on the trucking industry, its drivers, consumers, and our national economy.

The price of both gasoline and diesel are currently at an all-time high. Consumers, who are squeezed by having to pay $3.61 per gallon at the pump, are hit again with escalating costs for food and other basic consumer goods, in part due to the rising costs of getting these goods to market.

The men and women in the trucking industry who bring these goods to market are also facing situations that were unimaginable just a few years ago. The cost of a gallon of diesel fuel has risen 48 percent in the past year; 78 percent in the last three years; and 166 percent since 2003. Every one-cent increase in the price of diesel fuel translates to an annual additional cost of $391 million to the trucking industry. It costs nearly $800 more for a driver to fill a standard tractor-trailer than five years ago.

As hard-working Americans struggle to adjust to the harsh realities of record fuel prices, oil companies continue to report record profits. ExxonMobil, which earned over 25 percent of the $155 billion profit enjoyed by the oil industry in 2007, reported a quarterly profit last week of $10.9 billion dollars – the second biggest quarterly profit in the history of this nation. The record for the largest quarterly profit in U.S. history is held, perhaps not surprisingly, by ExxonMobil.

Without a doubt, the gross imbalance between enriched oil companies and captive consumers must be addressed. Yet some have called for a myopic, short-term "solution" to this complex and pervasive problem by proposing to suspend the Federal gas tax for the summer months.

Leading economists have confirmed that this proposal would provide little relief to consumers while providing another multi-billion dollar windfall profit for the oil companies. This irrational proposal will bring the Highway Trust Fund to the edge of insolvency; will eliminate approximately 300,000 family-wage, highway construction jobs; will cut highway safety funding; and increase the cost of congestion.

The problem of high fuel prices is unrelated to the Federal gas tax. The 18.3-cent gas tax rate was established in 1993, when the average retail price of a gallon of gasoline was $1.05. The Federal gas tax has not changed in the last 15 years, yet the average price of a gallon of gasoline has more than tripled.

High diesel prices have also brought into sharp focus fuel surcharges in the motor carrier industry. Today's hearing will examine the relationship among motor carriers, brokers, shippers, and independent drivers with respect to setting and collecting fuel surcharges. Currently, fuel surcharges are left to the discretion of an individual motor carrier or broker arranging for transportation, with few disclosure requirements and without any government oversight.

This lack of transparency affects independent owner-operators and drivers who often do not control if, and what amount, a broker or motor carrier charges a shipper for the rising cost of fuel. This makes it very difficult for drivers to verify whether the fuel surcharge is being passed through. When it is not, drivers are nonetheless the ones stuck paying the higher price at the pump.

I commend Chairman DeFazio for holding this hearing, and for his strong leadership on this important issue.